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NEWS RELEASE

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COURT RULES CITY OF SAN DIEGO IS THE RIGHTFUL PROPERTY OWNER OF BARRIO LOGAN “MERCADO” PROJECT

San Diego, CA: A Superior Court Judge made it absolutely clear that the City is the rightful owner of a Barrio Logan property and not the developer—The Mercado Alliance, LLP. The stalled development had become known as the “Mercado” project, which included a proposed supermarket and a housing complex.

“This a tremendous victory for the City of San Diego and the community of Logan Heights, which has waited more than a decade for a project to revitalize the area,” said City Attorney Michael Aguirre. “The Court’s ruling allows us to go forward with new plans and new developers.”

The Court also determined that Mercado Alliance is not entitled to damages against the City. The only claim that remains is the City’s lawsuit against Mercado for breach of contract, which is valued at \$3-4 million.

On May 2, 2006, the City’s Redevelopment Agency exercised its power of termination to take back the title to the property after the developer repeatedly defaulted on its promise to construct the project that it agreed to build. The 6.8 acres of land is located between National Avenue and Main Street in Barrio Logan.

The Agency also filed a breach of contract claim for damages related to Mercado's breach by way of its failure to build the project set forth in the redevelopment contract of November 21, 2000.

On August 30, 2006, the Mercado Alliance filed a cross-complaint seeking a declaration that Mercado is the rightful property owner. Mercado also claimed breach of contract premised on an "interim agreement," which allegedly required the Redevelopment Agency to negotiate a new project.

On February 16, 2007, the Agency filed a motion for summary adjudication on all Mercado's claims except for Mercado's trespass claim. (A motion for summary adjudication asks the court to rule on claims without a jury based on a finding by the court that there are no disputed material facts for a jury to address.)

The Court granted the Redevelopment Agency's motion for summary adjudication in its entirety. The court held that the "interim agreement" was not authorized by the Agency Board and therefore was not an enforceable contract.

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